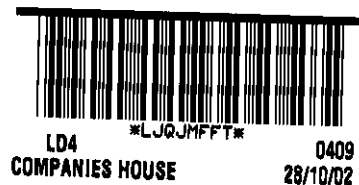


Reports & Financial Statements

For the year ended 31 December 2001

Euclidian (No.1) Limited

Company No: 2980495



EUCLIDIAN (NO.1) LIMITED

DIRECTORS:

J E MacGregor Truscott (Chairman)
J F Corrigan-Stuart

COMPANY SECRETARY:

A J Willoughby

REGISTERED OFFICE:

7 Birchin Lane
LONDON EC3V 9BW

AUDITORS:

Mazars Neville Russell
24 Bevis Marks
LONDON EC3A 7NR

EUCLIDIAN (NO.1) LIMITED

CONTENTS	Page
Directors' Report	1
Auditors' Report	3
Profit and Loss Account	4
Balance Sheet	6
Notes to the Financial Statements	8

EUCLIDIAN (NO.1) LIMITED

DIRECTORS' REPORT

The directors present their annual report, together with the accounts of the company for the year ended 31 December 2001.

RESULTS AND DIVIDENDS

The loss for the year to 31 December 2001 before taxation was £893,000 (2000: £701,000) and the loss after taxation was £825,000 (2000: £618,000).

The directors do not propose a final dividend for the year (2000: £nil)

REVIEW OF BUSINESS

The company's principal activity during the year was to act as a corporate member participating in the Lloyd's insurance market.

DIRECTORS

In accordance with the company's Articles of Association, none of the directors is required to retire from office at the annual general meeting.

The directors who held office throughout the year are listed below:

J E MacGregor Truscott
J F Corrigan-Stuart

The interests of directors in other group companies are disclosed in the directors' report of the ultimate holding company, Euc Re Limited.

AUDITORS

Mazars Neville Russell have signified their willingness to continue in office as auditors and a resolution to re-appointment them as auditors will be proposed at the forthcoming annual general meeting.

EUCLIDIAN (NO.1) LIMITED

DIRECTORS' REPORT (continued)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

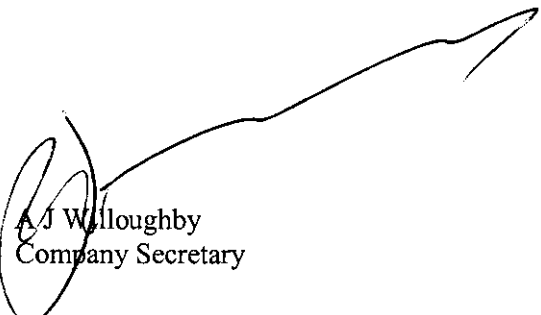
Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the Board of Directors on
and signed on its behalf by:

28 June 2002



A.J. Willoughby
Company Secretary

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF EUCLIDIAN NO 1. LIMITED

We have audited the financial statements of Euclidian No.1 Limited for the year ended 31 December 2001 on pages 4 to 20. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.


We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Fundamental uncertainty

In forming our opinion we have considered the overall adequacy of the disclosures made in the financial statements concerning the impact of losses arising from the US Terrorist Attacks on 11 September 2001 and the level of technical provisions which the company is carrying for its 2000 and 2001 underwriting. Because of the difficulty of assessing the ultimate cost of the US Terrorist Attacks the existing provisions may prove to be either excessive or inadequate. Details of the circumstances relating to this fundamental uncertainty are described in note 15. Our opinion is not qualified in this respect.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2001 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


MAZARS NEVILLE RUSSELL
CHARTERED ACCOUNTANTS
and Registered Auditors
24 Bevis Marks
London EC3A 7NR



EUCLIDIAN (NO.1) LIMITED**PROFIT AND LOSS ACCOUNT****For the year ended 31 December 2001**

		31 December 2001 £'000	31 December 2000 £'000
TECHNICAL ACCOUNT - GENERAL BUSINESS			
	Note		
Gross premiums written	3	34,944	28,487
Outward reinsurance premiums	3	<u>(13,093)</u>	<u>(7,218)</u>
Earned premiums, net of reinsurance		21,851	21,269
Allocated investment return transferred from the non-technical account		766	832
Claims incurred, net of reinsurance			
Claims paid:			
Gross amount	3	(28,344)	(19,943)
Reinsurers' share	3	<u>17,109</u>	<u>7,635</u>
		(11,235)	(12,308)
Change in the provision for claims:			
Gross amount	3	(8,210)	(8,158)
Reinsurers' share	3	5,095	4,411
Open year loss provision	3	(3,052)	752
Reinsurers' share	3	<u>3,052</u>	<u>(752)</u>
		<u>(3,115)</u>	<u>(3,747)</u>
Claims incurred, net of reinsurance		(14,350)	(16,055)
Net operating expenses	4	<u>(9,593)</u>	<u>(7,018)</u>
Balance transferred to the non-technical account		<u><u>(1,326)</u></u>	<u><u>(972)</u></u>

EUCLIDIAN (NO.1) LIMITED**PROFIT AND LOSS ACCOUNT****For the year ended 31 December 2001**

		31 December 2001 £'000	31 December 2000 £'000
	Note		
NON-TECHNICAL ACCOUNT			
Balance on the general business technical account		(1,326)	(972)
Investment income			
- syndicate participations		762	830
- corporate undertaking		14	13
Investment expenses and charges		(10)	(11)
Allocated investment return transferred to the general business technical account		(766)	(832)
Other income		<u>433</u>	<u>271</u>
Loss on ordinary activities before tax	5	(893)	(701)
Taxation on loss on ordinary activities	6	<u>68</u>	<u>83</u>
Loss on ordinary activities after tax	9	<u>(825)</u>	<u>(618)</u>

The company has no gains or losses other than the loss for the year.

All items derive from continuing operations.

No operations were acquired or discontinued in the year.

EUCLIDIAN (NO.1) LIMITED

BALANCE SHEET as at 31 December 2001

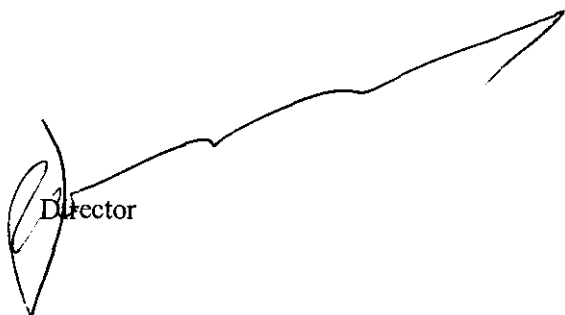
		2001			2000		
	Note	Syndicate £'000	Corporate £'000	Total £'000	Syndicate £'000	Corporate £'000	Total £'000
ASSETS							
INVESTMENTS							
Financial investments	7	7,992	-	7,992	6,527	-	6,527
Deposits with ceding undertakings		21	-	21	23	-	23
REINSURERS' SHARE OF TECHNICAL PROVISIONS							
Claims outstanding		22,350	-	22,350	9,002	-	9,002
DEBTORS							
Debtors arising out of direct insurance operations:							
Due from policyholders		-	-	-	12	-	12
Due from intermediaries		10,862	-	10,862	11,386	-	11,386
Debtors arising out of reinsurance operations		13,542	4,184	17,726	4,601	1,008	5,609
Inter account		622	(622)	-	216	(216)	-
Due by group undertakings		-	1,718	1,718	-	1,555	1,555
Other debtors		337	392	729	1,181	390	1,571
		25,363	5,672	31,035	17,396	2,737	20,133
Cash at bank and in hand		5,690	249	3,939	4,073	-	4,073
Other		2,260	-	2,260	895	-	895
		5,950	249	6,199	4,968	-	4,968
PREPAYMENTS AND ACCRUED INCOME							
Other prepayments and accrued income		67	2	69	79	-	79
TOTAL ASSETS		61,743	5,923	67,666	37,995	2,737	40,732

EUCLIDIAN (NO.1) LIMITED

BALANCE SHEET as at 31 December 2001

		2001			2000		
	Note	Syndicate £'000	Corporate £'000	Total £'000	Syndicate £'000	Corporate £'000	Total £'000
LIABILITIES							
CAPITAL AND RESERVES							
Called up share capital	8,9	-	-	-	-	-	-
Profit and loss account	9	-	(2,186)	(2,186)	-	(1,361)	(1,361)
Shareholders' funds	9	-	(2,186)	(2,186)	-	(1,361)	(1,361)
TECHNICAL PROVISIONS							
Claims outstanding - gross amount		51,884	3,514	55,398	33,800	743	34,543
CREDITORS							
Creditors arising out of direct insurance operations		2,505	-	2,505	1,512	-	1,512
Creditors arising out of reinsurance operations		4,704	-	4,704	1,256	-	1,256
Other creditors including taxation and social security		2,642	-	2,642	1,406	-	1,406
Due to parent undertaking		-	1,770	1,770	-	1,769	1,769
		9,851	1,770	11,621	4,174	1,769	5,943
ACCRUALS AND DEFERRED INCOME							
		8	2,825	2,833	21	1,586	1,607
TOTAL LIABILITIES		61,743	5,923	67,666	37,995	2,737	40,732

Approved by the board of directors on 28/6/2002
and signed on its behalf by:


Director

EUCLIDIAN (NO.1) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2001

1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

(a) Basis of preparation

The financial statements have been prepared in accordance with Section 255 of, and Schedule 9A to, the Companies Act 1985 ("the Act") and in accordance with applicable Accounting Standards.

(b) Recognition of insurance transactions

Preparing financial statements in accordance with Section 255 of and Schedule 9A to the Act has required the company to recognise its proportion of all the transactions undertaken by the Lloyd's syndicates in which it participates ("the Syndicates").

For each such syndicate, the company's proportion of the underwriting transactions, investment return and operating expenses has been reflected within the company's profit and loss account. Similarly, its proportion of each Syndicate's assets and liabilities has been reflected in its balance sheet (under the column heading "syndicate"). The "syndicate" assets are held subject to trust deeds for the benefit of the company's insurance creditors.

The proportion referred to above is calculated by reference to the company's participation as a percentage of each Syndicate's total capacity.

The company has delegated sole management and control of its underwriting through each Syndicate to the managing agent of the Syndicate ("the Managing Agent") and it has further undertaken not to interfere with the exercise of such management and control. The Managing Agents of the Syndicates are therefore responsible for determining the insurance transactions to be recognised by the company. The only exception to this rule is the level of provision for outstanding claims. These provisions have been determined by the directors of the company (see 2(e) below).

EUCLIDIAN (NO.1) LIMITED

NOTES TO THE FINANCIAL STATEMENTS **For the year ended 31 December 2001 (continued)**

1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS (continued)

(c) Sources of data

The information used to compile the technical account and the "syndicate" balance sheet is based on returns prepared for this purpose by the Managing Agents of the Syndicates ("the Returns"). These Returns have been subjected to audit by the syndicate auditors and are based on the audited syndicate returns to Lloyd's and the audited annual reports to Syndicate members. This base data has been adjusted as necessary so that the Returns reflect the differences in preparation between syndicate annual reports and financial statements in accordance with Schedule 9A.

The format of the Returns has been established by Lloyd's and Lloyd's has also been responsible for collating the data at a syndicate level and analysing it into corporate member level results.

The Returns cover the 12 months to 31 December 2001 and 31 December 2000.

2 ACCOUNTING POLICIES

(a) Accounting convention

The financial statements are prepared under the historical cost convention as modified by the revaluation of financial investments.

(b) Basis of accounting for underwriting results

All classes of insurance business written are accounted for on a three year funded basis because it is the basis most similar to that followed by the Syndicates. The nature of the information Managing Agents can make available is insufficient for the company to make reliable estimates of the necessary technical provisions on an annual basis of accounting. Under the three year funded basis followed by the company, the excess of premiums written and attributable net investment return over claims and expenses paid in respect of contracts incepting in an accounting period ("the underwriting year") is carried forward as a technical provision until the end of the third year from the inception of the underwriting year. Consequently, no profit is recognised in respect of an underwriting year until that time at the earliest. Profit is only recognised if a syndicate has been able to effect a "reinsurance to close" (see (f) below) in respect of that underwriting year.

If an underwriting year is expected to make a loss, the loss is recognised as soon as it is foreseen by increasing the technical provision to make it sufficient to meet present liabilities and anticipated future claims and expenses.

EUCLIDIAN (NO.1) LIMITED

NOTES TO THE FINANCIAL STATEMENTS **For the year ended 31 December 2001 (continued)**

2 ACCOUNTING POLICIES (continued)

(c) Premiums

Premiums written comprise the total premiums receivable for the whole period of cover provided by the contracts incepting during the financial year, together with any adjustments arising in the year to such premiums receivable in respect of business written in prior years. Premiums are shown gross of commission payable to intermediaries and exclude insurance premium tax.

Gross premiums written may include "reinsurance to close" receivable (see (f) below).

Premiums written by a syndicate may also include the reinsurance of other syndicates on which the company participates. No adjustments have been made to gross premiums written or outward reinsurance premiums (or to gross and reinsurers' claims) to remove this intersyndicate reinsurance.

(d) Claims incurred

Claims incurred include the costs of claims handling expenses. Recoverable amounts arising out of subrogation or salvage are deducted from the cost of claims. Claims incurred comprise amounts paid or provided in respect of claims occurring during the year to 31 December, together with the amount by which settlement or reassessment of claims from previous years differs from the provision at the beginning of the year.

(e) Provision for claims

Provision is made for claims incurred but not paid in respect of events up to 31 December. The provision includes the amounts required to ensure no profit is recognised before the end of the third year under the three year funded basis of accounting (see (b) above).

The provision is increased as appropriate by the company to the extent that deficits are foreseen on underwriting years before the 36 months point is reached.

In deciding whether any such additional provision is necessary, each syndicate participation has been considered in isolation.

The provision is based on the Returns and reports from the Managing Agents. When appropriate, statistical methods have been applied to past experience of claims frequency and severity.

(f) Reinsurance to close

A reinsurance to close is a particular type of reinsurance contract entered into by Lloyd's syndicates. Under it, underwriting members (the reinsured members) who are members of a syndicate for a year of account (the closed year), agree with underwriting members who comprise that or another syndicate for a later year of account (the reinsuring members) that the reinsuring members will indemnify, discharge or procure the discharge, of the reinsured members against all known and unknown liabilities of the reinsured members arising out of insurance business undertaken through that syndicate and allocated to the closed year in consideration of:

EUCLIDIAN (NO.1) LIMITED

NOTES TO THE FINANCIAL STATEMENTS **For the year ended 31 December 2001 (continued)**

2 ACCOUNTING POLICIES (continued)

(f) Reinsurance to close (continued)

- (a) a premium; and
- (b) either
 - (i) the assignment, or agreement to assign, to the reinsuring members of all the rights of the reinsured members arising out of, or in connection with, that insurance business (including without limitation the right to receive all future premiums, reinsurances and other monies receivable in connection with that insurance business); or
 - (ii) an agreement by the reinsured members that the reinsuring members shall collect on behalf of the reinsured members the proceeds of all such rights and retain them for their own benefit so far as they are not applied in discharge of the liabilities of the reinsured members.

Where the reinsurance to close is between members on successive years of account of the same syndicate, the managing agent has a duty to ensure both sets of members are treated equitably and to set the reinsurance to close with the intention that neither a profit nor a loss accrues to either group of members.

To the extent that the company participates on successive years of account of the same syndicate and there is a reinsurance to close between those years, the company has offset its share of the reinsurance to close received against its share of the reinsurance to close paid.

If the company has increased its participation from one year of account to the next, the reinsurance to close paid is eliminated, as a result of this offset, leaving an element of the reinsurance to close received. This reflects the fact that the company has assumed a greater proportion of the business of the syndicate. If the company has reduced its participation from one year of account to the next, the reinsurance to close received is eliminated, leaving an element of the reinsurance to close paid. This reflects the reduction in the company's exposure to risks previously written by the syndicate.

The reinsurance to close is technically a reinsurance contract and, as such, the payment of a reinsurance to close does not remove from members of that year of account ultimate responsibility for claims payable on risks they have written. If the reinsuring members under the reinsurance to close become insolvent and the other elements of the Lloyd's chain of security also fail, the reinsured members remain theoretically liable for the settlement of any outstanding claims.

However, payment of a reinsurance to close is conventionally accepted as terminating a reinsured member's participation on a syndicate year of account and it is treated for accounts purposes as settling all the company's outstanding gross liabilities in respect of the business so reinsured.

EUCLIDIAN (NO.1) LIMITED

NOTES TO THE FINANCIAL STATEMENTS **For the year ended 31 December 2001 (continued)**

2 ACCOUNTING POLICIES (continued)

(g) Investments

Listed and other traded investments are stated at mid market values. Other investments are stated at directors' valuations. Unrealised gains and losses are recognised in the profit and loss account.

(h) Investment income

Investment income comprises interest receivable and dividends received plus realised gains on the disposal of investments. Realised gains and losses arise from the difference between proceeds and valuation at the previous year end, or cost if there has been no previous revaluation.

Where investments represent the company's share of syndicate investments, they are treated as sold and repurchased at each year end in recognition of the annual venture nature of participation on a syndicate. The cost of these investments is therefore their market value at each 31 December. The realised gains reported by Syndicates are net of any realised losses.

All investment income is allocated to the technical account.

(i) Investment expenses and charges

Investment expenses and charges comprise investment management expenses and losses on the realisation of investments. Realised losses arise from the difference between proceeds and valuation at the previous year end, or cost if there has been no previous revaluation. The realised losses reported by Syndicates are net of any realised gains.

(j) Net operating expenses

Operating expenses are recognised when incurred. They include the company's share of syndicate operating expenses, the remuneration payable to Managing Agents and the direct costs of membership of Lloyd's. Where they relate to the company's underwriting, they are taken into account in calculating the technical provision required under the three year funded basis of accounting.

(k) Other charges

Expenses not attributable to underwriting are recognised when incurred.

(l) Foreign currencies

Transactions in foreign currencies other than sterling, United States dollars and Canadian dollars are translated at the rates of exchange ruling at the date the transaction is processed. Unless otherwise stated, transactions in United States dollars and Canadian dollars and assets and liabilities in currencies other than sterling are translated at the rates of exchange ruling at the end of the financial year. Exchange differences arising on translation are dealt with in the profit and loss account.

EUCLIDIAN (NO.1) LIMITED

NOTES TO THE FINANCIAL STATEMENTS **For the year ended 31 December 2001 (continued)**

2 ACCOUNTING POLICIES (continued)

(m) Syndicate participation rights

Where the company has purchased the right to participate on Syndicates, the cost is capitalised and amortised in equal annual instalments over 3 years, the period of time for which the company expects to derive economic benefit from its expenditure.

Amortisation commences at the end of the third year from the start of the company's first underwriting year on the Syndicate.

If, at any time, the directors become aware of a permanent diminution in the value of the company's right to participate on a syndicate, the asset is written down accordingly.

(n) Taxation

The company is taxed on its share of the underwriting results "declared" by Syndicates and these are deemed to accrue evenly over the calendar year in which they are declared.

The Inland Revenue agrees the taxable results of Syndicates at a syndicate level on the basis of computations submitted by the Managing Agents. At the date of approval of these financial statements, the syndicate taxable results have not been agreed. Any adjustments that may be necessary to the tax provisions established by the company as a result of Inland Revenue agreement of syndicate taxable results will be reflected in the financial statements of subsequent periods.

Other profits are recognised and assessable to corporation tax in the same period, after adjustment in accordance with tax legislation.

(o) Deferred taxation

Deferred tax is provided in respect of the tax effect of all timing differences to the extent that it is probable that a liability or asset will crystallise in the foreseeable future, at the rates of tax expected to apply when the timing differences reverse.

EUCLIDIAN (NO.1) LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2001 (continued)

3 SEGMENTAL INFORMATION

Year ended 31 December 2001	Gross premiums written £'000	Gross claims incurred £'000	Gross operating expenses £'000	Reinsurance balance £'000	Total £'000
<i>Direct Business</i>					
Accident and health	3,319	(6,647)	(1,025)	(726)	(5,079)
Motor – third party liability	103	(131)	(35)	88	25
Motor – other classes	1,221	(480)	(374)	150	517
Marine, aviation and transport	5,516	(6,617)	(1,595)	(8,067)	(10,762)
Fire and other damage property	11,140	(11,236)	(3,229)	8,165	4,840
Third party liability	7,168	(7,329)	(1,678)	19,585	17,746
Credit and suretyship	210	(219)	(61)	673	603
Legal expenses	90	(87)	(26)	32	9
Assistance	6	(2)	(2)	(3)	(1)
Other	(5)	93	(61)	1,327	1,354
Total direct	28,768	(32,655)	(8,086)	21,224	9,251
<i>Reinsurance business</i>					
Other reinsurance acceptances	3,964	(5,280)	(1,188)	(8,349)	(10,853)
Reinsurance to close	2,212	1,381	(319)	(3,764)	(490)
Total reinsurance	6,176	(3,899)	(1,507)	(12,113)	(11,343)
Total	34,944	(36,554)	(9,593)	9,111	(2,092)

EUCLIDIAN (NO.1) LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2001 (continued)

3 SEGMENTAL INFORMATION (continued)

Year ended 31 December 2000	Gross premiums written £'000	Gross claims incurred £'000	Gross operating expenses £'000	Reinsurance balance £'000	Total £'000
<i>Direct business</i>					
Accident and health	706	(2,079)	(107)	225	(1,255)
Motor - third party liability	161	(146)	(8)	(10)	(3)
Motor - other classes	684	(834)	(150)	53	(247)
Marine, aviation and transport	3,718	(5,291)	(1,149)	213	(2,509)
Fire and other damage to property	10,425	(5,826)	(3,432)	(388)	779
Third party liability	6,226	(3,433)	(1,580)	174	1,387
Credit and suretyship	682	(491)	(91)	53	153
Legal expenses	214	(237)	(26)	57	8
Assistance	1	(1)	-	-	-
Other	1,104	(891)	(273)	115	55
Total direct	<u>23,921</u>	<u>(19,229)</u>	<u>(6,816)</u>	<u>492</u>	<u>(1,632)</u>
<i>Reinsurance business</i>					
Other reinsurance acceptances	2,412	(5,406)	(397)	2,625	(766)
Reinsurance to close	2,154	(3,466)	195	1,711	594
Total reinsurance	<u>4,566</u>	<u>(8,872)</u>	<u>(202)</u>	<u>4,336</u>	<u>(172)</u>
Total	<u>28,487</u>	<u>(28,101)</u>	<u>(7,018)</u>	<u>4,828</u>	<u>(1,804)</u>

All gross premiums in respect of direct business are written in the United Kingdom.

The open year loss provisions and the reinsurers' share thereof are excluded from the segmental analysis as they have no net effect.

EUCLIDIAN (NO.1) LIMITED**NOTES TO THE FINANCIAL STATEMENTS**
For the year ended 31 December 2001 (continued)**4 NET OPERATING EXPENSES**

	2001	2000
	£'000	£'000
Acquisition costs	6,256	5,103
Administrative expenses	1,364	1,148
Profit on exchange	(188)	(931)
Personal expenses	2,161	1,698
	<u>9,593</u>	<u>7,018</u>

5 LOSS ON ORDINARY ACTIVITIES BEFORE TAX

	2001	2000
	£'000	£'000
The loss on ordinary activities before tax is stated after charging:		
Auditors' remuneration - audit services	<u>3</u>	<u>3</u>

No staff were employed by the company.

No director received any emoluments from the company in the year (2000: £Nil).

6 TAXATION ON LOSS ON ORDINARY ACTIVITIES

	2001	2000
	£'000	£'000
UK corporation tax at 30% (2000:31%)	-	(95)
Overseas taxation	(1)	-
Deferred tax	-	178
Overprovision in respect of prior periods	<u>69</u>	<u>-</u>
	<u>68</u>	<u>83</u>

EUCLIDIAN (NO.1) LIMITED

NOTES TO THE FINANCIAL STATEMENTS **For the year ended 31 December 2001 (continued)**

7 FINANCIAL INVESTMENTS

	Syndicate	
	2001	2000
	£'000	£'000
Current value		
Shares and other variable yield securities	487	222
Debt securities and other fixed interest securities	6,841	5,147
Deposits with credit institutions	320	21
Other investments	344	1,137
	<u>7,992</u>	<u>6,527</u>
Of which:		
Listed on a recognised stock exchange	7,871	6,226
Other listed	121	301
	<u>7,992</u>	<u>6,527</u>
Cost		
Shares and other variable yield securities	622	212
Debt securities and other fixed income securities	5,455	5,061
Deposits with credit institutions	193	238
Other	325	471
	<u>6,595</u>	<u>5,982</u>

8 SHARE CAPITAL

	Authorised	Called up allotted and fully paid
At 31 December 2001 and 31 December 2000	£	£
Ordinary shares of £1 each	<u>1,000</u>	<u>2</u>

EUCLIDIAN (NO.1) LIMITED**NOTES TO THE FINANCIAL STATEMENTS**
For the year ended 31 December 2001 (continued)**9 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	Share capital £'000	Profit and loss account £'000	Total shareholders' funds £'000
At 1 January 2001	-	(1,361)	(1,361)
Retained loss for the year	-	(825)	(825)
	<u> </u>	<u> </u>	<u> </u>
At 31 December 2001	-	(2,186)	(2,186)
	<u> </u>	<u> </u>	<u> </u>

10 RELATED PARTY DISCLOSURE

The following Managing Agents managed more than 10% of the company's capacity on the underwriting years on which it participates.

Managing Agent	% of company's aggregate premium limit for year of account		
	1999	2000	2001
Wren Syndicate Management Limited	10.4	-	-
Catlin Underwriting Agencies Limited	30.0	16.6	-
SVB Syndicates Limited	11.0	-	-
Euclidian Underwriting Ltd	44.1	69.0	82.8
Amlin Underwriting Limited	10.5	-	-

EUCLIDIAN (NO.1) LIMITED

NOTES TO THE FINANCIAL STATEMENTS **For the year ended 31 December 2001 (continued)**

11 ULTIMATE HOLDING COMPANY

The immediate parent undertaking is Euclidian Holdings Limited. The ultimate parent undertaking is Euc Re Limited.

12 CONTINGENT LIABILITY

There are five other corporate member subsidiaries of Euclidian Plc. If one of these subsidiaries fails to meet any of its Lloyd's obligations, Lloyd's will be:

- (1) entitled to require the other subsidiaries to cease or reduce their underwriting; and/or
- (2) having regard to the fact that the Central Fund may be applied to discharge the obligations of the defaulting subsidiary, entitled to require each of the other corporate member subsidiaries to make contributions to the Central Fund up to the amount of their respective net profits held from time to time in premiums trust funds, sufficient to reimburse the Central Fund in full for any payment made on behalf of the defaulting member.

At the date of these financial statements the directors are not aware of any other corporate member subsidiary of the Group failing to meet any of its Lloyd's obligations.

13 MAJOR NON-CASH TRANSACTIONS

Euclidian plc has received the corporate member's underwriting income and paid some of its external costs which have, therefore, been accounted for via the inter company account together with dividends payable by the corporate member.

14 GOING CONCERN

The financial statements have been prepared on a going concern basis as the ultimate parent company has undertaken to provide the necessary financial support.

EUCLIDIAN (NO.1) LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2001 (continued)

15 US TERRORIST ATTACKS – 11 SEPTEMBER 2001

The US Terrorist Attacks (“USTA”) of 11 September 2001 are anticipated to result in the largest loss suffered by the global insurance market.

Lloyd’s has announced an estimate of its exposure to this loss in the region of £1.9 billion. The company is exposed to USTA losses through the syndicates on which it participated for the 2000 and 2001 years of account.

As at 31 December 2001, the company is carrying gross technical provisions for its open underwriting years of £55,398,000.

These reserves include provision for USTA losses.

The company participated on syndicate 1243 which received a “fundamental uncertainty” opinion (“opinion 3”) on its Lloyd’s solvency reserves from its syndicate actuary in respect of its exposure to its USTA losses.

These syndicates represent a significant proportion of the company’s underwriting at Lloyd’s and as -such render the company’s technical reserves as at 31 December 2001 fundamentally uncertain. Because of the difficulty of assessing the ultimate cost of USTA losses, the existing provision may prove to be excessive or inadequate.